

Message Text

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ORIGIN L-03

INFO OCT-01 ARA-06 ISO-00 SP-02 TRSE-00 SS-15 NSC-05

AID-05 CIAE-00 COME-00 EB-07 FRB-03 INR-07 NSAE-00

XMB-02 OPIC-03 CIEP-01 LAB-04 SIL-01 OMB-01 SSO-00

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TREASURY:FMARESCA (SUB)

CEMAW (SUBS)

S/ PSBRIDGES

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FM SECSTATE WASHDC

TO AMEMBASSY PANAMA IMMEDIATE

INFO AMEMBASSY LIMA IMMEDIATE

C O N F I D E N T I A L STATE 240982

PANAMA FOR T. ELKIN TAYLOR

E.O. 11652: GDS

TAGS: BDIS, EINV, EIND, EMIN, PFOR, PE

SUBJECT: MARCONA - SIGNATURE OF ORE SALES AGREEMENT

1. AN INTEGRAL ELEMENT OF THE MARCONA SETTLEMENT CONCLUDED BY THE USG AND THE GOVERNMENT OF PERU LAST WEEK IS AN ORE SALES CONTRACT IN WHICH MINPECO, THE PERUVIAN GOVERNMENT ORE SALES ENTITY, AGREES TO SELL 3.74 MILLION TONS OF PERUVIAN IRON ORE PELLETS TO THE MARCONA CORPORATION AT PRICES WHICH WILL ALLOW MARCONA TO RESELL THE ORE IN THE US MARKET AT A HIGHER PRICE. (THIS PRICE DIFFERENTIAL
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REPRESENTS A SUBSTANTIAL PORTION, ALBEIT INDIRECT, OF THE

TOTAL COMPENSATION PACKAGE.)

2. IF, AS EXPECTED, THE PERUVIAN COUNCIL OF MINISTERS APPROVES THE SETTLEMENT PACKAGE IN ITS CABINET MEETING ON SEPTEMBER 28 IT IS CONTEMPLATED THAT THE ORE SALES CONTRACT WILL BE SIGNED ON SEPTEMBER 30. BECAUSE THE CONTRACT CONTAINS A PARIS-INTERNATIONAL CHAMBER OF COMMERCE ARBITRATION CLAUSE, IT IS NOT POSSIBLE FOR MINPECO TO SIGN THE AGREEMENT IN PERU. ACCORDINGLY, MARCONA AND MINPECO HAVE AGREED THAT THE CONTRACT WILL BE SIGNED IN PANAMA CITY, AT THE HOTEL CONTINENTAL.

3. BECAUSE OF THE INVOLVEMENT OF THE US GOVERNMENT IN THIS SETTLEMENT, AND THE FACT THAT THE SIGNATURE OF THE ORE CONTRACT IS THE LAST OF THREE EVENTS WHICH WILL PUT THE INTERGOVERNMENTAL AGREEMENT INTO FORCE, DEPT WOULD LIKE AN EMBASSY OFFICER, PREFERABLY POLITICAL COUNSELOR TAYLOR, TO BE PRESENT FOR THE SIGNING. (A PERUVIAN EMBASSY OFFICIAL WILL PROBABLY ALSO BE PRESENT.) EMBASSY OFFICER WILL NOT REPEAT NOT BE REQUIRED TO TAKE ANY ACTIVE ROLE WHATSOEVER. HE SHOULD SIMPLY MAKE ARRANGEMENTS TO BE PRESENT AT THE SIGNING AND NOTIFY DEPT AND EMBASSY LIMA ONCE THE CONTRACTS (ENGLISH AND SPANISH ORIGINALS) HAVE BEEN EXECUTED. WILLIAM BILHORN, A MARCONA VICE PRESIDENT WILL BE SIGNING FOR MARCONA AND CAN BE REACHED AT THE CONTINENTAL AS OF WEDNESDAY EVENING, SEPTEMBER 29.

4. IT IS OUR UNDERSTANDING THAT NO ATTESTATION OR OTHER CONSULAR SERVICES WILL BE REQUIRED; IF OUR INFORMATION IN THIS RESPECT CHANGES, WE WILL ADVISE EMBASSY ASAP.

5. IF THERE ARE ANY QUESTIONS, EMBASSY SHOULD FEEL FREE TO CONTACT L/EUR, DAVID A. GANTZ, 632-9500. KISSINGER

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